

October 5, 2005

**HONORABLE MAYOR AND CITY COUNCIL:**

I am pleased to present the 2005-2006 Adopted Capital Budget and the 2006-2010 Adopted Capital Improvement Program (CIP) for the City of San José. The Budget and CIP presented in this document guide the City in the planning, scheduling, and budgeting of capital improvement projects during the next five-year period. This overview highlights the significant issues and projects within each City Service Area (CSA) as well as the capital program approved for the next five-year period.

The 2006-2010 Adopted CIP was developed in coordination with all of the City Service Areas (CSAs) and City departments responsible for capital projects. As required by City Charter, the Planning Commission reviewed the Proposed CIP and submitted its comments to the City Council prior to the adoption of this CIP.

The 2005-2006 Adopted Capital Budget and the 2006-2010 Adopted CIP are each lower this year than last. The Adopted CIP had been reduced by 40% to \$2.1 billion, and the 2005-2006 Adopted Capital Budget reflects a 5% reduction to \$1.17 billion. These decreases are due almost entirely to a significant re-phasing of the Airport expansion, related to the continued weakness in the air travel market. Despite the Airport-related decrease, the Adopted CIP still provides over \$2 billion over the next five years, continuing the *Decade of Investment* that is transforming much of the City's infrastructure. Major improvements continue in the City's parks, community centers, libraries and public safety facilities, primarily as a result of voter-approved bond measures that will generate a total of \$599 million for these purposes. The construction of the North Concourse at the Airport represents a significant expansion of this facility and incorporates federally mandated security requirements. Substantial investments in the City's utility infrastructure are also underway, designed to ensure the continued safe and efficient operation of these facilities and the ability to address future growth. The construction of the new City Hall is also near completion and City staff has already relocated to the City's new corporate headquarters.

In large part, the progress reflected in this program results from the use of a number of specific, one-time funding sources that support specialized efforts. For instance, voter-approved bond revenues are earmarked for parks, library or public safety purposes; the new City Hall is funded by lease revenue bonds limited to that project; and the Airport expansion is primarily funded by the issuance of debt that will be supported by Airport revenues.

## 2005-2006 CAPITAL BUDGET

### 2006-2010 CAPITAL IMPROVEMENT PROGRAM

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#### Major Capital Investments

In the 2006-2010 Capital Improvements Program, investments target infrastructure improvements throughout the City's neighborhoods, including parks, community centers, libraries, storm and sanitary sewer systems, and public safety facilities. These are the facilities that are accessed most often by the residents and visitors of San José. In addition to those vital investments, resources are also targeted to support the City's economic development goals by providing capacity for future growth in the City.

The three major voter-approved General Obligation Bond measures approved in 2000 and 2002 continue to be utilized to upgrade and replace public safety facilities, parks, community centers and libraries. In November 2000, General Obligation Bond measures were approved to support library projects (\$212 million) and parks projects (\$228 million). In addition, City public safety facilities are undergoing major renovations and expansions as a result of the voter approved Public Safety Bond Measure in 2002 that authorized the issuance of General Obligation Bonds in the amount of \$159 million for public safety projects. This Adopted CIP allocates a combined \$403 million from these sources to continue building and improving library, parks and public safety facilities. Significant capital investments in the City's utility infrastructure are also programmed in this CIP, including continued progress on the \$89 million Reliability Improvements project at the Water Pollution Control Plant that was awarded in February 2005, and the expansion of the water and sanitary sewer systems into the Edenvale and North Coyote Valley areas.

The Airport Capital Program remains the largest single component of the overall CIP, despite the sharp reductions from last year. While the prolonged slump in local airport activity has led to an approved re-phasing of the timing of the Master Plan build-out, the funds dedicated to bringing significant improvements to Mineta San José International Airport still represent 40% of the 2005-2006 Capital Budget and 38% of the Five-Year CIP. In the near term, the focus of this program will be on compliance with federal security mandates. The most significant of these security projects is the North Concourse Building, which includes a permanent automated in-line explosive detection system and associated security screening space. The major non-security projects approved in the 2005-2009 Adopted CIP – the South Concourse Building, the Central Terminal Building, and the Double Level Roadway Decks and Ramps – have now been deferred beyond the Five-Year CIP. The schedule for the completion of the Airport Master Plan build-out, it should be emphasized, remains dependent on market demand and may be adjusted further in the future.

#### Major Objectives of the Adopted Capital Budget

- *Construct safe and effective City facilities that meet the needs of our community*
- *Stimulate the economy*
- *Plan for the future growth and development of the City*
- *Ensure we can operate the facilities we construct*
- *Deliver projects promised to the public*
- *Protect City assets*
- *Deliver capital projects on-time and on-budget*

## 2005-2006 CAPITAL BUDGET

### 2006-2010 CAPITAL IMPROVEMENT PROGRAM

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#### CIP Challenges

The City continues to face major challenges in the development of its Capital Improvement Program. The most significant of these are:

- ☐ Insufficient Funding to Address All Capital Infrastructure Needs
- ☐ Escalating Construction Costs
- ☐ Identifying General Fund Resources to Address Operating Costs for New Facilities

A more detailed discussion of each of those challenges, along with strategies to address those challenges, is provided below.

#### *Insufficient Funding to Address All Capital Infrastructure Needs*

While the City has made excellent progress over the past five years addressing some of our most significant infrastructure needs, other major areas remain in which the available funding for capital improvements is insufficient to address critical needs. With much of the City's infrastructure built in the 1960s and 1970s, the number of aging facilities that require significant renovations or replacement is considerable. The General Obligation Bonds approved for the parks, community centers, libraries and public safety facilities are helping to address the major needs in those specific areas. However, in other areas long-term solutions for maintaining and replacing assets have not yet been identified.

A prime example is the Traffic Capital Program where available funding over the next five-year period falls well below even the minimum level necessary to address the City's basic transportation systems needs. This program, which derives a large portion of its funding from development-related Construction Excise and Building and Structure Construction Taxes, has been more significantly impacted by the current economic conditions than any other. Following a precipitous drop of 40-50% from 2000-2001, the development-related revenues that support our transportation system have stabilized at levels closer to those experienced in 1996. Although this revenue drop was accurately anticipated in the development of the last few CIPs, the investment represented in this program still falls well below what is needed. For instance, the street maintenance funding in the Adopted Capital and Operating Budgets totals \$11.2 million in 2005-2006. This compares poorly with the \$30 million needed annually to maintain this system in good condition. Pending the identification of additional local funding for this program, the Administration will continue to actively seek federal and State funds to augment the local funding available.

Similarly, for the municipal facilities that rely on the General Fund for capital improvements, there are persistent funding shortages that make significant investments in the infrastructure extremely difficult given the many demands on this limited resource.

#### *Escalating Construction Costs*

In addition to the overall shortfall in funding discussed above, we are currently experiencing the negative impact of escalating construction costs driven primarily by the rising costs of raw materials. In the Library Capital Program, for example, moderate reductions in the square footage of several

## 2005-2006 CAPITAL BUDGET

### 2006-2010 CAPITAL IMPROVEMENT PROGRAM

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#### CIP Challenges (Cont'd.)

##### *Escalating Construction Costs (Cont'd.)*

Bond-funded library branches were approved to keep the projects within budget. Similarly, in the Water Pollution Control (WPCP) Capital Program, Council approved the reprogramming of several projects, including the Electrical Reliability Improvements Project, due to higher than anticipated construction bids received for the \$89 million WPCP Reliability Improvements Project. In the Public Safety Capital Program, substantial increases to the bond-funded fire station projects were necessary as a result of both escalating construction costs and changes in project scopes to meet revised fire station requirements. These increases were offset by a significant reduction in funding for the Fire Training Center.

##### *Identifying General Fund Resources to Address Operating Costs for New Facilities*

During the *Decade of Investment* that is transforming the City's capital infrastructure, a heightened focus on project delivery has supported the completion of a record number of capital projects. However, the large number of project completions brings with it a major challenge – identifying the resources necessary to operate and maintain the new facilities at a time when overall reductions in General Fund resources have forced reductions in existing City services across the board.

In response to this challenge, the City Council had previously approved the deferral of a number of capital projects with significant General Fund operating impacts. In developing the 2006-2010 CIP, the Administration again reviewed all projects scheduled for completion in the next few years to identify those that would create significant new operating costs, and we were not unable to identify a large number of additional deferrals to recommend. Due to the strategy employed by the Library, for example, staff and collections from libraries under construction have all been phased in a manner intended to minimize additional operating expenses during the construction process, so no significant additional deferrals were identified. In the Parks and Community Facilities Capital Program, a majority of the projects with considerable operating and maintenance costs were deferred as part of the last CIP process. In this CIP, the Council District 6 Community Center project is the only one with a significant change. The completion of this facility will be delayed by approximately one year, while the West Side Branch Library will be accelerated by one year so that a joint library/community center facility can be developed.

In this and future operating budgets, a primary strategy has been initiated to mitigate the impact of new maintenance costs associated with those parks facilities that are scheduled to open over the next five years. This involves taking a comprehensive look at all parks facilities to determine which might be considered for closure based on age or because they duplicate services found in the same geographical proximity.

The Public Safety Capital Program presents the most significant additional operating and maintenance obligations for the General Fund over the next five years. To mitigate these impacts, a combination of an alternative staffing model that would redeploy existing staff to the new stations on a temporary

## 2005-2006 CAPITAL BUDGET

### 2006-2010 CAPITAL IMPROVEMENT PROGRAM

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#### CIP Challenges (Cont'd.)

##### *Identifying General Fund Resources to Address Operating Costs for New Facilities (Cont'd.)*

basis and limited project deferrals were approved in the 2006-2010 CIP. These strategies are expected to generate approximately \$5.9 million in General Fund operating savings over the next five-year period. However, even with these savings, the total price tag for the public safety facilities is expected to reach \$8.2 million by 2009-2010.

While the deferral of capital projects was not a major strategy used to reduce operating and maintenance costs in the Adopted CIP, there are a number of other measures that were approved. As mentioned above, the rising cost of construction materials has led to a moderate reduction in the size of several branch libraries, which will also lower overall operating costs for these facilities. The development of joint library/community center facilities also reduces operating and maintenance costs. In the Traffic Capital Program, a concerted effort was made to program investments that would minimize the addition of significant operating and maintenance costs to the General Fund. The number of programmed new traffic signals has been reduced and funding to construct new streetlights has been eliminated. Instead, funding has been invested in an LED retrofit project for traffic signals that should save \$290,000 annually by converting incandescent bulbs to more energy efficient LEDs, and in a technology review project that will evaluate how City streets may be lighted more cost effectively. Modest funding in the Public Safety and Parks and Community Facilities Capital Programs is also approved to invest in capital improvements that will reduce energy costs.

In summary, funding the additional operating and maintenance costs associated with projects contained in this program remains a major challenge. As detailed below, General Fund operating costs for facilities included in the 2006-2010 CIP will total \$2.7 million in 2006-2007 and climb to \$20.8 million by 2009-2010. (Operating budget adjustments for facilities scheduled to come on line in 2005-2006 were considered in the development of the Adopted Operating Budget.)

#### **Projected General Fund Operating and Maintenance Costs**

<b>Project Title</b>	<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>
Communications Projects	\$ 31,000	\$ 31,000	\$ 31,000	\$ 31,000
Fire Facilities	564,000	2,952,000	6,742,000	7,479,000
Library Facilities	1,831,000	2,350,000	3,848,000	7,451,000
Parks Facilities	326,000	862,000	3,351,000	4,785,000
Parks Facilities-Other Agencies	65,000	225,000	235,000	249,000
Police Facilities	26,000	371,000	716,000	752,000
Traffic Projects	(188,000)	(131,000)	(74,000)	(34,000)
Traffic Projects-Other Agencies	45,000	46,000	49,000	50,000
<b>Total</b>	<b>\$ 2,700,000</b>	<b>\$ 6,706,000</b>	<b>\$ 14,898,000</b>	<b>\$ 20,763,000</b>

## 2005-2006 CAPITAL BUDGET

### 2006-2010 CAPITAL IMPROVEMENT PROGRAM

#### CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

As a framework for its performance-based budget, each of the 15 capital programs has been aligned to a particular CSA. The chart below compares the 2005-2009 Adopted CIP with the 2006-2010 Adopted CIP for each CSA. As can be seen, the budgets for all of the CSAs are either lower than the prior CIP or show only slight growth. This is because significant portions of the major one-time projects, such as the new City Hall and the Water Pollution Control Plant Reliability Improvements Project, that have accounted for the tremendous growth in the CIP have been expended and, as discussed above, the Airport Capital Program has re-phased the majority of the Master Plan projects.

#### Comparison of 2005-2009 Adopted CIP and 2006-2010 Adopted CIP By City Service Area

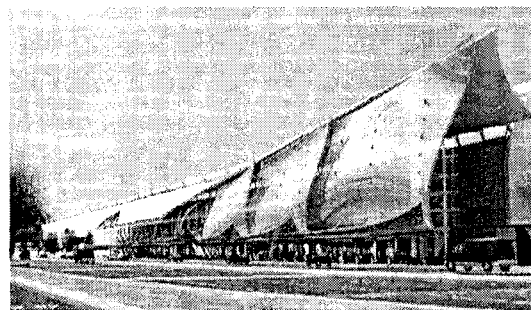
City Service Area	2005-2009 Adopted CIP	2006-2010 Adopted CIP	% Change
Aviation Services	\$ 2,117,540,000	\$ 792,786,000	(62.6%)
Economic & Neighborhood Development	9,062,000	10,710,000	18.2%
Environmental & Utility Services	361,537,000	286,185,000	(20.8%)
Public Safety	161,390,000	169,177,000	4.8%
Recreation & Cultural Services	491,152,000	508,370,000	3.5%
Transportation Services	212,821,000	217,686,000	2.3%
Strategic Support	155,632,000	111,477,000	(28.4%)
<b>Total</b>	<b>\$ 3,509,134,000</b>	<b>\$ 2,096,391,000</b>	<b>(40.3%)</b>

The following discussion of significant issues and projects included in the Adopted CIP is presented by CSA.

#### AVIATION SERVICES CSA

The Aviation Services CSA includes the Airport Capital Program. This program supports the following CSA outcomes:

- ✓ *The Airport is the Region's First Choice for Air Transportation Services*
- ✓ *Travelers Have a Positive Guest Experience While Using the Airport*
- ✓ *The Airport is Considered to be a "Good Neighbor" by the Community*
- ✓ *Businesses Consider the Airport as a Partner in Supporting the Success of the Regional Economy*



**North Concourse Building**

## 2005-2006 CAPITAL BUDGET

### 2006-2010 CAPITAL IMPROVEMENT PROGRAM

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#### CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

##### AVIATION SERVICES CSA (CONT'D.)

##### Airport Capital Program

The Adopted Airport Capital Program represents a significant change from the program presented in the 2005-2009 CIP. Acknowledging the reality of the continued weakness in the economy and air travel market, this Airport CIP is \$1.3 billion or 63% lower than the prior CIP. The immediate focus of the Adopted CIP is the implementation of the security-related projects, the largest of which is the North Concourse Building. Other major projects will be driven largely by market conditions, as well as other factors, such as service level impacts on operations and facility functionality and the amount and availability of funding. Following is a discussion of major projects and issues.

- ❑ **North Concourse:** \$194.4 million is approved in the Adopted CIP to continue this project, which will provide for the baggage screening equipment, security screening space, ticketing and baggage claim operations, holdrooms, and jet bridge gates. This is the largest security-related project in the CIP and will incorporate federal Aviation and Transportation Security Act requirements.
- ❑ **Master Plan Projects:** Significant expansion project schedules have now been extended beyond the 2006-2010 CIP. These projects include the South Concourse and Central Terminal, the Rental Car Garage, the Short-Term Public Parking Garage, and the Double Level Roadway Decks and Ramps.
- ❑ **Continued Acoustical Treatment Program:** \$28.6 million is programmed in the Adopted CIP to continue the acoustical treatment of approximately 1,200 eligible properties and extending the program to additional areas south of the Airport.

#### ECONOMIC AND NEIGHBORHOOD DEVELOPMENT CSA

The Economic and Neighborhood Services CSA includes the Developer Assisted Projects Capital Program. This program supports the following CSA outcome:

- ✓ *Safe, Healthy, Attractive and Vital Community*

##### Developer Assisted Capital Projects Capital Program

The Developer Assisted Capital Projects CIP reimburses residential developers for construction of major City streets and encourages the undergrounding of existing overhead utilities. The objective of this program is to ensure that residential developments within San José include the construction of public improvements necessary to maintain or improve the infrastructure of the City. Following is a brief summary of the major projects in this CIP.

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### 2006-2010 CAPITAL IMPROVEMENT PROGRAM

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#### CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

##### ECONOMIC AND NEIGHBORHOOD DEVELOPMENT CSA (CONT'D.)

- ❑ ***Underground Utility Program:*** The underground utility projects are prioritized based on several criteria, the most significant of which is how much fee revenue has been collected within the proposed Underground District. The following projects are programmed in this CIP.
  - Park/Naglee – Park (Naglee to Shasta) & Naglee (Park to Bascom)
  - Saratoga Avenue – Route 280 to Kiely
  - Jackson/Taylor – 4<sup>th</sup> to 9<sup>th</sup> Streets
  - Stevens Creek – Calvert to Stern
  - Camden Avenue – Bascom to Leigh
  - Evergreen Park – San Felipe Road to Yerba Buena
- ❑ ***Median Island and Center Strip Paving:*** Reimbursements to developers are scheduled, including reimbursements for the Communications Hill and the Dairy Hill projects.

##### ENVIRONMENTAL AND UTILITY SERVICES CSA

The Environmental and Utility Services CSA includes the Sanitary Sewer System, Storm Sewer System, Water Pollution Control and Water Utility Capital Programs. These programs support the following CSA outcomes:

- ✓ *Reliable Utility Infrastructure*
- ✓ *Healthy Streams, Rivers, Marsh, and Bay*
- ✓ *Safe, Reliable, Sufficient Water Supply*

##### Sanitary Sewer System Capital Program

The Sanitary Sewer System consists of approximately 2,000 miles of sewer mains ranging in diameter from 6 to 90 inches. The system serves the City, as well as three other jurisdictions, and conveys sewage to the Water Pollution Control Plant. The objectives of this capital program are to rehabilitate large diameter sanitary sewers; reduce water inflow and infiltration in sanitary sewers; improve local neighborhood sewers; extend sanitary sewers to new development areas; and incorporate recommendations from the San José North Interceptor Facility Plan Report. Following is a brief summary of the major projects in this CIP.

- ❑ ***Edenvale Sanitary Sewer:*** \$26.3 million is programmed in the CIP to complete this sanitary sewer.
- ❑ ***Fourth Interceptor Phases VI and VII:*** \$15.6 million is programmed in the CIP.
- ❑ ***84-Inch RCP Interceptor Phases VB and VIB:*** \$9.4 million is programmed in the CIP.



## 2005-2006 CAPITAL BUDGET

### 2006-2010 CAPITAL IMPROVEMENT PROGRAM

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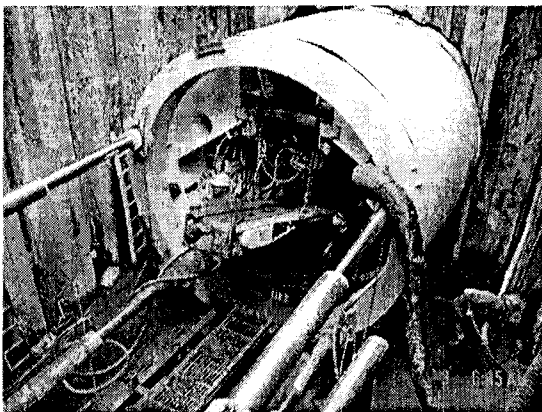
#### CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

##### ENVIRONMENTAL AND UTILITY SERVICES CSA (CONT'D.)

##### Sanitary Sewer System Capital Program (Cont'd.)

- ❑ ***Neighborhood Sewer Projects:*** The following smaller sanitary sewer projects are programmed to improve conditions in specific neighborhoods:
- East San José (\$282,000 in CIP)
  - Forest-Rosa Sewer (\$2.1 million in CIP)
  - Hobson-Walnut Area (\$1.1 million in CIP)
  - Monterey-Riverside (\$1.9 million in CIP)
  - Rosemary Area (\$1.1 million in CIP)
  - Willow-Union Trunk (\$2.3 million in CIP)

##### Storm Sewer System Capital Program



*Rincon Storm System Improvements, Phase II*

The purpose of the Storm Sewer System is to collect storm water, separate it from the Sanitary Sewer System, and convey it to nearby creeks and rivers. In accordance with the City's General Plan, the goal of the Storm Sewer System Program is to reduce the risk of drainage-related surface damage and to protect the quality of storm water runoff. The City is responsible for constructing facilities for conveying surface runoff in the City's Urban Service Area to adjacent stream channels. Construction of flood control facilities and the modification and maintenance of stream channels is the responsibility of the Santa Clara Valley Water District and the U.S. Army Corps of Engineers.

Continuing the annual moderate rate increases that were approved by Council in June 2002, a three-year rate strategy was approved by City Council in June 2005 to increase the Storm Sewer Service Charge rate by 4.5% annually. This CIP assumes that 4.5% rate increases will continue in all years of the CIP, building in predictable, measured adjustments in service charges to continue a modest investment in the capital infrastructure and ensure the fiscal health of the Storm Sewer Operating Fund. Following is a brief summary of the limited number of projects possible in this CIP with the current rate structure.

- ❑ ***Albany-Kiely, Phases II, III and IV:*** \$2.3 million is programmed in the CIP.
- ❑ ***Storm Pump Station Replacements:*** \$1 million is programmed in the CIP toward the replacements or rehabilitation of various storm pump stations determined to be of high priority.

## 2005-2006 CAPITAL BUDGET

### 2006-2010 CAPITAL IMPROVEMENT PROGRAM

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#### CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

##### ENVIRONMENTAL AND UTILITY SERVICES CSA (CONT'D.)

##### Storm Sewer System Capital Program (Cont'd.)

- ☐ *Willow Glen-Guadalupe, Phases II and III:* \$1.68 million is programmed in the CIP.
- ☐ *Reserve for Alma Storm Drain:* \$693,000 is programmed in the CIP.
- ☐ *Chateau Drive Storm Drain Improvement, Phases I and II:* \$1.3 million is programmed in the CIP.

##### Water Pollution Control Capital Program

The San José/Santa Clara Water Pollution Control Plant (WPCP) is a regional wastewater treatment facility serving eight tributary sewage collection agencies, including municipalities and sanitary sewer districts. This CIP focuses on preserving the WPCP infrastructure and capacity improvement projects. In order to maintain the program represented in this document, this CIP assumes rate increases will continue annually beyond the three-year 4.5% rate increase that was approved by Council in 2004 for the Sewer Service and Use Charge Fee. These increases will be necessary to fund major capacity improvement projects and critical projects at the Plant. Following is a brief summary of the major projects programmed in this CIP.

- ☐ *Plant Reliability Improvements:* \$2.6 million is programmed in this CIP to complete this project that will improve the Plant's ability to handle wet weather flows and improve the reliability of several of the Plant's critical systems such as headworks, filtration and major pumping stations. This project, which has a total cost of \$88.8 million and was awarded in February 2005, will also look at ways to improve the reliability and efficiency of producing recycled water, as well as water discharge to the bay.
- ☐ *Plant Electrical Reliability:* \$17.0 million is programmed in the CIP for major upgrades and replacements of electrical systems. This scope of work includes detailed electrical power distribution system analysis, increasing electrical power reliability by utilizing new technology, improved design, advanced monitoring and increased automation.
- ☐ *Revised South Bay Action Plan:* \$22.4 million is programmed in this CIP to complete the South Bay Water Recycling (SBWR) facilities in Santa Clara and Milpitas, the extension of a recycled water transmission line to serve the planned Metcalf Energy Center in South San José and the new City Hall, and to fund future recycled water improvements as funding permits. In addition, \$400,000 is programmed to develop a plan to ensure industrial users in the service area are recycling their wastewater and/or using SBWR to the largest extent possible.

## 2005-2006 CAPITAL BUDGET

### 2006-2010 CAPITAL IMPROVEMENT PROGRAM

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#### CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

##### ENVIRONMENTAL AND UTILITY SERVICES CSA (CONT'D.)

##### Water Pollution Control Capital Program (Cont'd.)

- ❑ **Alternative Disinfection:** \$4.5 million is programmed in this CIP to design and construct facilities to replace the gaseous chlorine and sulfur dioxide system with liquid sodium hypochlorite and sodium bisulfite system. The presence of large quantities of chlorine and sulfur dioxide poses a risk of damage in an event of massive sudden release.

##### Water Utility System Capital Program

The San José Municipal Water System provides water utility service to approximately 25,000 customers (approximately 100,000 residents) in five areas within the City of San José: Evergreen, North San José, Alviso, Edenvale, and Coyote Valley. Projects in the Adopted CIP include the construction of new facilities, maintenance of existing infrastructure, and improvements to the Water Utility System facilities. Major projects in the CIP include the following:

- ❑ **Security Improvements:** \$300,000 is programmed to install additional security equipment at various system facilities.
- ❑ **Rehabilitation and Replacement Projects:** Several rehabilitation and replacement projects are scheduled in this CIP, including the Edenvale Well #13 Rehabilitation (\$250,000), Water Valve Rehabilitation (\$250,000), Villa Vista Reservoir Rehabilitation (\$250,000), Reservoir System Seismic Retrofit (\$200,000), and Norwood Pump Station Replacement (\$803,000).
- ❑ **System Development Projects:** Several projects are designed to provide more capacity or better coverage, such as the Nortech Parkway East Loop Main (\$753,000), the North First Street Parallel Main (\$1.8 million), the Edenvale Well #4 (\$757,000), and the Montague Turnout (\$326,000 to start this \$5.9 million project).
- ❑ **Recurring Projects:** Several ongoing projects are programmed to maintain the system and address system growth, including System Maintenance/Repairs (\$2.3 million in CIP), Infrastructure Improvements (\$2.1 million in CIP), Meter Installations (\$1.5 million in CIP), and Service Installations (\$1.8 million).

##### PUBLIC SAFETY CSA

The Public Safety CSA includes the Public Safety Capital Program, which supports the following CSA outcome:

- ✓ *The Public Feels Safe Anytime, Anywhere in San José*

##### Public Safety Capital Program

The objective of the Public Safety Capital Program is to provide, maintain and improve facilities and equipment that support the delivery of effective emergency services to residents and visitors. The

## 2005-2006 CAPITAL BUDGET

### 2006-2010 CAPITAL IMPROVEMENT PROGRAM

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#### CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

##### PUBLIC SAFETY CSA (CONT'D.)

##### Public Safety Capital Program (Cont'd.)

construction of a new police substation, four new fire stations including a developer-funded station, and the relocation of six existing fire stations will provide the infrastructure to help meet this goal.

The major investment in Public Safety infrastructure included in this CIP are possible only because the voters in San José supported investments in these facilities. On March 5, 2002, 71.7% of voters approved Measure O, the "9-1-1, Fire, Police, Paramedic and Neighborhood Security Act" (Neighborhood Security Act Bond Measure). This bond measure authorized the City to issue General Obligation Bonds in an amount not to exceed \$159 million to fund both Police and Fire Department capital improvements.



*West San José Community Policing Center*

All of the projects funded by the Neighborhood Security Act Bond are scheduled to be underway during this five-year period. These projects include the construction of a South San José Police Substation, three new fire stations, four community policing centers, and a driver safety training facility. The program also includes the relocation of six fire stations, the remodeling of 17 fire stations and the 9-1-1 Communications Dispatch Center, and renovations to the existing Fire Training Center.

As part of the budget deliberation process, major changes to the Public Safety Bond projects were brought forward as described in Manager's Budget Addendum #10 that was approved by the City Council with the final adoption of the budget. These changes increased the budget allocations for the new and remodeled fire stations by a total of \$15.8 million and the 9-1-1 Communications Center project by \$1 million, offset by a \$16.8 million reduction in the Fire Training Center project. These increases were necessary to address cost escalations and project scope changes to meet revised fire station requirements and to include the renovation of the Fire Dispatch function into the 9-1-1 Communications Center Project. The scope of the Fire Training Center project has been significantly downsized from a comprehensive renovation to a project that will incorporate improvements that address immediate facility needs only. In addition to the changes in project costs, a combination of an alternative staffing model that would redeploy existing staff to the new stations on a temporary basis and limited project deferrals to mitigate the operating and maintenance impact of the new fire stations was approved in the 2006-2010 CIP.

**2005-2006 CAPITAL BUDGET**  
**2006-2010 CAPITAL IMPROVEMENT PROGRAM**

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**CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)**

**PUBLIC SAFETY CSA (CONT'D.)**

**Public Safety Capital Program (Cont'd.)**

Following are additional highlights of the Adopted CIP.

❑ ***Public Safety Bond Projects:***

- South San José Police Substation
- Driver Safety Training Center
- 9-1-1 Communications Dispatch Center
- South Community Policing Center
- East Community Policing Center
- North Community Policing Center
- West Community Policing Center
- New Fire Station 34 (Berryessa)
- New Fire Station 35 (Cottle and Poughkeepsie)
- New Fire Station 37 (Willow Glen)
- Rebuild Fire Station 2 (Alum Rock Avenue)
- Relocate Fire Station 12 (Calero)
- Relocate Fire Station 17 (Cambrian)
- Relocate Fire Station 19 (Piedmont)
- Relocate Fire Station 21 (White Road)
- Relocate Fire Station 25 (Alviso)
- Relocate Station 24/Construct Station 36 (Silver Creek/Yerba Buena)
- Fire Training Center
- Fire Station Upgrades

- ❑ ***Communications Hill Fire Station (Fire Station 33):*** The Communications Hill Specific Plan states that developers must build a turnkey fire station in order to complete initial development of Communications Hill. In addition, the developers have agreed to purchase fire apparatus, tools and equipment for the new station.

- ❑ ***Fire Vehicle Replacement and Equipment:*** Funding from the Fire Construction and Conveyance Tax Fund and the General Fund continues to support many of the infrastructure needs in the Fire Department, including fire apparatus replacement and repair, facilities improvements, hose replacement, emergency response maps, handheld radios, heavy rescue airbags, traffic control equipment, general tools and equipment, computer replacement, records management, and data analysis.

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### 2006-2010 CAPITAL IMPROVEMENT PROGRAM

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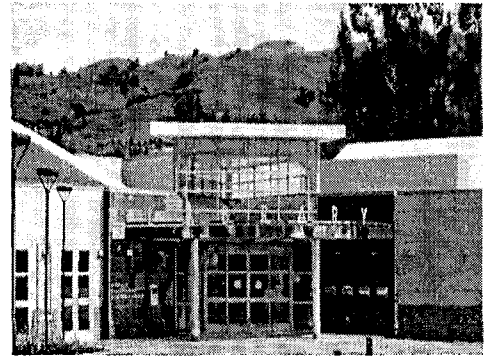
#### RECREATION AND CULTURAL SERVICES CSA

The Recreation and Cultural Services CSA includes the Library and Parks and Community Facilities Development Capital Programs. These programs support the following CSA outcomes:

- ✓ *Safe and Clean Parks, Facilities and Attractions*
- ✓ *Vibrant Cultural Learning and Leisure Opportunities*
- ✓ *Healthy Neighborhoods and Capable Communities*

#### Library Capital Program

The City's library system is undergoing a major transformation as a result of the November 2000 voter-approved bond measure that approved the issuance of \$212 million in General Obligation bonds to improve the branch library system over a ten-year period. This bond measure provided funding for the reconstruction or replacement of 14 of the 17 existing branches and the construction of six new branches in unserved neighborhoods. Major projects in the CIP and issues are discussed below.



**Berryessa Branch Library**

- ❑ **Library Bond Projects:** Over the course of the 2006-2010 CIP, two new branches and thirteen expansion/relocation projects will be completed and the Southeast branch will be under construction. Listed below are the new and renovated branches that will be completed over this five-year period. It should be noted that the West Side branch is programmed to be accelerated by a year in order to align the completion schedule with the District 6 Multi-Service Community Center, allowing the potential development of a joint library/community center project.

#### ***New Branches***

- West Side
- Edenvale

#### ***Renovated Branches***

- |                    |                   |                |
|--------------------|-------------------|----------------|
| - Almaden          | - Evergreen       | - Rose Garden  |
| - Calabazas        | - Hillview        | - Santa Teresa |
| - Cambrian         | - Joyce Ellington | - Seventrees   |
| - East San José    | - Pearl           | - Willow Glen  |
| - Educational Park |                   |                |

- ❑ **Furniture, Fixtures and Equipment:** \$4.4 million in Construction and Conveyance Tax Funds are allocated to furniture, fixtures and equipment for the new facilities funded by bond proceeds, since the General Obligation Bond funding cannot be used for these items. The 2005-2006 approved budget provides an allocation of \$2.9 million, which will ensure adequate funding to meet the projected need next year.

## 2005-2006 CAPITAL BUDGET

### 2006-2010 CAPITAL IMPROVEMENT PROGRAM

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#### CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

##### RECREATION AND CULTURAL SERVICES CSA (CONT'D.)

##### Library Capital Program (Cont'd.)

- ❑ ***Renewed Support from Voters for Libraries and Library Acquisitions:*** The recently passed Library Parcel Tax replaces the sunsetted Benefit Assessment District in 2005-2006. The Library Parcel Tax, which was approved November 2004, varies based on the type of property. For single-family residences, the parcel tax is \$25 per year, with a CPI adjustment not to exceed 3% annually. Starting in 2005-2006 and continuing over the next ten years, this revenue will provide similar levels of funding for the purchase of materials and automation as did the Benefit Assessment District. Roughly half of the total funding of \$16.1 million for new acquisition of books and materials will come from this source, supporting a targeted level of 200,000 acquisitions per year.

##### Parks and Community Facilities Capital Program

The Parks and Community Facilities Capital Program plans for and implements the acquisition, development, and protection of parks, recreation facilities, and open space to maintain a high quality of life in San José. Under the direction of the Parks, Recreation, and Neighborhood Services Department, the program provides oversight of the planning and development for approximately 3,500 acres of parks (regional/city-wide and neighborhood/community) and open space in the City's sphere of influence. In addition, the City has plans for implementation of a trails and greenways system that will provide a 100-mile network of hiking, biking, jogging, and equestrian trails along the Guadalupe River, Coyote and Los Gatos Creeks, Penitencia Creek, Saratoga/San Tomas Creek and all major feeder streams.

The program is managed through the use of 17 funds, including 10 Council District funds, a City-wide fund for city-wide/regional facilities, a Parks Bond Fund, and five special purpose funds, as well as contributions from the General Fund.

The City's Construction and Conveyance (C&C) Tax revenue has historically been the primary source of support for this capital program. However, over the last few years, the Parks Bond Fund has provided a significant amount of resources to address capital needs in the City's various park facilities. On November 7, 2000, City voters approved Measure P, a \$228 million General Obligation Bond for park and recreational facilities improvements. This bond program will provide funding over a 10-year period to renovate 95 neighborhood park play areas, add a total of 164,000 square feet to nine community and senior centers, renovate 28 park restrooms, build two new sports complexes, expand the City's trail system at four locations, enhance four regional park facilities, including improvements and renovations at Happy Hollow Park and Zoo. The 2006-2010 Adopted CIP includes \$145 million for the construction of Bond projects. Over the course of this five-year CIP, six community centers will be renovated or built, two sports parks will be constructed, Emma Prusch Memorial Park will be renovated, significant progress will be made on the renovation and expansion of Happy Hollow Park and Zoo, and several City trails will be expanded.

## 2005-2006 CAPITAL BUDGET

### 2006-2010 CAPITAL IMPROVEMENT PROGRAM

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#### CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

##### RECREATION AND CULTURAL SERVICES CSA (CONT'D.)

##### Parks and Community Facilities Development Capital Program (Cont'd.)

###### ❑ **Park Bond Projects:**

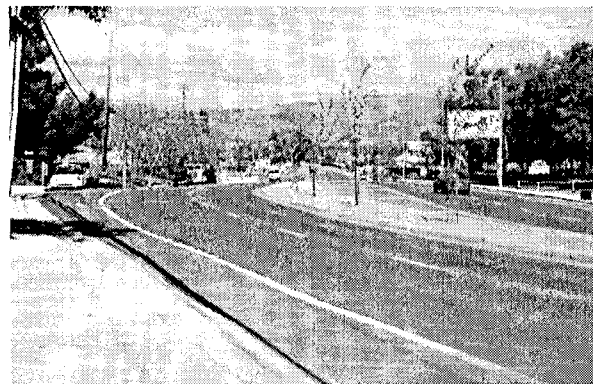
- Almaden Community Center
- Roosevelt Community Center
- Southside Community Center
- Solari Community Center
- Mayfair Community Center
- District 6 Multi-Service Community Center (deferred one year in order to align the completion schedule with the West Side Branch Library, allowing the development of a joint library/community center project)
- Emma Prusch Memorial Park
- Happy Hollow Park & Zoo
- Shady Oaks Sports Park
- Singleton Sports Park
- Coyote Creek Trail-Phelan Avenue to Idlewood Court
- Guadalupe River Trail Reach VI – Woz Way to Willow Street
- Los Gatos Creek Trail Reach IV
- Saratoga/San Tomas Aquino Creek Trail Reach VI

- ❑ **Reserve for Strategic Capital Replacement:** To begin to accumulate the funds necessary to maintain the expanding infrastructure of parks, tot lots, trails and community centers in districts throughout the City, the Reserve for Strategic Capital Replacement, first introduced in the 2005-2009 CIP, is approved to be increased from \$25,000 to \$200,000 annually in each Construction and Conveyance Council District Fund.

##### TRANSPORTATION SERVICES CSA

The Transportation Services CSA includes the Parking and Traffic Capital Programs. These programs support the following CSA outcomes:

- ✓ *Provide Viable Transportation Choices*
- ✓ *Provide Safe, Efficient, and Neighborhood-Friendly Transportation Operations*
- ✓ *Preserve and Improve Transportation Assets and Services to Enhance Community Livability*



**Berryessa Road Project**



## 2005-2006 CAPITAL BUDGET

### 2006-2010 CAPITAL IMPROVEMENT PROGRAM

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#### CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

##### TRANSPORTATION SERVICES CSA (CONT'D.)

##### Parking Capital Program

The Parking Capital Program's primary responsibilities are to maintain and improve existing facilities, upgrade and replace both on-street and off-street parking equipment, and develop parking facilities.

As part of the implementation of the San José Redevelopment Agency's (SJRA's) Strategy 2000 – Greater Downtown Strategy for Development, a Parking Management Plan was developed in 2001 to address both short-term and long-term parking needs. The Parking Management Plan anticipated approximately 3,125 new parking spaces would be needed by 2005 to meet short-term downtown growth and that an additional 1,500 spaces would be needed by 2008 to address future office development. Since its approval in 2001, schedules and priorities of projects spelled out in the Parking Management Plan have been significantly impacted by the downturn in the economy as well as by changes in the supply of parking. As a result of the changing environment since the Parking Management Plan was approved, last year the City Council/SJRA Board, in coordination with the Downtown Parking Board, directed staff to review the plan and track key economic and parking information. With this information, the Council approved a series of economic and parking demand triggers as a way to gauge changes in the local economy and to initiate parking development at the appropriate time. During the 2005-2006 budget process, annual updates to the parking triggers and priorities were approved by the City Council based on the most recent data.

Following is a brief summary of the capital-related activity in the General Purpose Parking Fund.

- ***Parking System Improvements:*** The Adopted CIP includes funding for the 2<sup>nd</sup> and San Carlos Garage Seismic Upgrade project; to implement Phase II of the Parking Guidance System that will include roadway signs to direct motorists to the parking facilities; to continue replacing the Parking Revenue Control System at several garages and lots; and to perform ongoing facility improvements.

##### Traffic Capital Program

The mission of the Traffic Capital Program is to implement a safe, efficient, and environmentally sensitive surface transportation system, consistent with the goals and policies of the City's General Plan. In the 2006-2010 Adopted Traffic CIP, \$210.7 million is allocated for the purposes of expanding and enhancing the transportation system. These resources are programmed to ensure that the transportation system supports the economic competitiveness of San José and provides residents with safe and attractive street facilities in their neighborhoods.

The investments approved as part of the 2006-2010 Adopted CIP include funding for the build out of the major street network (\$21.6 million); enhancements to the environment (\$1.7 million); maintenance activities (\$29.9 million); an array of operations and safety projects at the neighborhood level, including traffic calming, bicycle and pedestrian facilities, and new traffic signals (\$40.5 million); rehabilitation projects (\$13.7 million); funding to support the City's contribution to regional highway

## 2005-2006 CAPITAL BUDGET

### 2006-2010 CAPITAL IMPROVEMENT PROGRAM

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#### CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

##### TRANSPORTATION SERVICES CSA (CONT'D.)

##### Traffic Capital Program (Cont'd.)

and transit systems (\$7.1 million); and planning and engineering for local and regional projects (\$26.9 million). Following is a discussion of some of the highlights of the Traffic CIP.

- ❑ **Arterial and Collector Projects:** The Adopted CIP funds the development of arterial and collector projects throughout the City, including improvements to Branham Lane and Union Avenue.
- ❑ **Reserve for VTP 2030 Projects:** During 2004-2005, the Santa Clara Valley Transportation Agency (VTA) updated its 30-year regional transportation master plan referred to as Valley Transportation Plan 2030 (VTP 2030). The plan includes an inventory of projects eligible for future regional transportation grant funding. To support the City's Council-adopted priorities in the VTP 2030, a reserve was established in the 2005-2009 CIP in the amount of \$11.3 million to begin to provide necessary local matching funds. In this CIP, that funding was augmented by \$8.8 million to a new total of \$20.1 million.
- ❑ **Advance Engineering to Ensure Grant Readiness:** Several of the investments in the current CIP provide advance engineering to bring projects to a state of readiness to help them compete for regional funding. This strategy of proactively planning to leverage new State and federal funds is a continuation of the Traffic Program's successful record in leveraging significant grant funds by investing in upfront planning. Recent examples include the City's \$35 million investment in the Route 87 Freeway project, which generated \$225 million in State and federal funding; the City's \$5 million investment in the Route 880: Coleman interchange (as well as a further \$5 million loan to the VTA), which generated \$71 million in State and federal funding; and the City's \$1.5 million investment in the Route 880: Stevens Creek Interchange project, which has secured a \$12 million earmark in the recently authorized federal transportation bill.
- ❑ **Street Maintenance:** In this Adopted CIP, capital funding for street maintenance continues to fall well below levels required to adequately maintain pavement condition. A combined total funding of \$11.2 million in the Adopted Operating and Capital Budgets is programmed in 2005-2006 for this purpose, which compares poorly with the \$30 million annual investment considered necessary in the City's 10-Year Street Maintenance Recovery Plan. As a result of this shortfall in funding, it is estimated that City streets condition ratings will slip to 67% of streets rated fair or better by the end of 2009-2010. Pending the development of an adequate local funding strategy, Department of Transportation staff will continue to seek outside funding opportunities to help address this shortfall in the coming years. It is currently anticipated, for example, that additional funding may be available from both the federal Surface Transportation Program (STP) and from State Proposition 42 monies, although at the time the budget was adopted the final disposition of these revenues was not clear and the revenues are therefore not included in the budget.

## 2005-2006 CAPITAL BUDGET

### 2006-2010 CAPITAL IMPROVEMENT PROGRAM

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#### CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

##### TRANSPORTATION SERVICES CSA (CONT'D.)

##### Traffic Capital Program (Cont'd.)

- ❑ **Transfers to General Fund:** As part of the General Fund budget balancing plan, the transfers from the Construction Excise Tax to the General Fund total \$5.3 million in 2005-2006 and \$2.5 million in 2006-2007. Including the transfers programmed for budget balancing purposes, the Adopted CIP reflects the transfer of \$22.1 million to the General Fund over the next five years, primarily for street maintenance activities.

##### STRATEGIC SUPPORT CSA

The Strategic Support CSA includes the Civic Center, Communications, Municipal Improvements, and the Service Yards Capital Programs. These programs support the following CSA outcomes:

- ✓ *Safe and Functional Public Infrastructure, Facilities, Materials and Equipment*
- ✓ *Effective Use of State-of-the-Art Technology*

##### Civic Center Capital Program

The Civic Center Capital Program is responsible for constructing the new City Hall and associated parking facilities. The new City Hall includes approximately 530,000 square feet of office and public space on a 4.9-acre site located on the south side of East Santa Clara Street, between 4<sup>th</sup> and 6<sup>th</sup> Streets. Major components of this project include an 18-story office tower, a council chamber wing, an open public plaza with a rotunda, plus a 372-vehicle underground parking garage to serve the visiting public and some staff. The new facility was occupied on schedule beginning in mid-2005, with the off-site garage scheduled for completion in spring 2006. The offsite garage had been deferred by one year as a result of a lawsuit. The 2006-2010 Adopted CIP includes funding to complete this project as described below.

- ❑ **New City Hall Construction Project:** \$10.8 million is programmed in this CIP to complete the City Hall construction project and the off-site parking garage. This includes approved funding of \$4.0 million from the Project Contingency to address estimated close out and contractor claims costs.
- ❑ **New City Hall Non-Construction Costs:** In January 2004, the City Council approved the addition of \$45.25 million for technology, furniture and equipment to operate this facility in the most effective manner. The Administration is making every effort to reduce costs by at least 15%, and based on awards to date, savings of 15-20% (\$7-9 million) are anticipated. To complete furniture, technology and equipment procurements, \$10.8 million has been carried over in the Adopted CIP.

## 2005-2006 CAPITAL BUDGET

### 2006-2010 CAPITAL IMPROVEMENT PROGRAM

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#### CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

##### STRATEGIC SUPPORT CSA (CONT'D.)

##### Communications Capital Program

The guiding objective of the Communications Capital Program is the provision of reliable, necessary public and non-public safety-related communications equipment for all City employees that require this equipment for their jobs. A summary of the major projects in this CIP is provided below.

- ❑ ***Communications Equipment Replacement and Upgrade:*** \$6.2 million is allocated in this CIP to the equipment replacement and upgrade project, which entails replacing a large portion of the communications equipment over the next five years after careful study and planning.
- ❑ ***Police Dispatch Voting Receivers:*** \$815,000 is allocated in this CIP to install additional police voting receivers and upgrade signal conditioning devices at existing radio sites. This project will increase radio coverage across adjoining police districts.

##### Municipal Improvements Capital Program

The Municipal Improvements Capital Program provides capital improvements for City facilities that are not funded in other capital programs. The General Fund typically supports these projects. The 2006-2010 Adopted CIP includes the following ongoing allocations: HP Pavilion Repairs (\$500,000); Fuel Tank Monitoring (\$250,000); Methane Monitoring and Control (Landfill Projects-\$1.25 million); and Unanticipated/Emergency Maintenance (\$1.0 million). In addition, the following major projects had General Fund funding rebudgeted from 2004-2005: Alviso Education Center (\$400,000); Arena Repairs (\$315,000); and Convention Center Facility Improvements (\$200,000). In addition, \$1.4 million in the Interim City Facilities Improvement Fund was rebudgeted for improvements to implement the Interim Space Plan for housing City employees that will not be relocating to the new City Hall.

##### Service Yards Capital Program

The objective of the Service Yards Capital Program is to maintain and improve the existing conditions at the Service Yards by implementing projects to reduce safety hazards, increase efficiencies, and provide necessary equipment and materials for operations. While ongoing funding is allocated to address general capital improvement needs, the majority of funding in this capital program is set aside for the Central Service Yard Phase II project.

- ❑ ***Central Service Yard Phase II:*** A revised and accelerated schedule, space plan and design for the Central Service Yard Phase II project are reflected in the 2006-2010 CIP. The financing strategy includes the sale of commercial paper and bonds as well as the sale of the Main Service Yard. Under the revised schedule, design began in 2004-2005 with construction scheduled to start in 2005-2006 and end in 2007-2008.

## 2005-2006 CAPITAL BUDGET

### 2006-2010 CAPITAL IMPROVEMENT PROGRAM

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#### CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

##### STRATEGIC SUPPORT CSA (CONT'D.)

##### Service Yards Capital Program (Cont'd.)

- **Central Service Yard Phase I Debt Service:** Continuing a General Fund budget balancing strategy approved in 2003-2004, \$1.8 million from the Service Yards Construction and Conveyance Tax Fund will be allocated to fund Central Service Yard Phase I Debt Service costs for 2005-2006. After 2005-2006, it is anticipated that the General Fund will resume responsibility for these payments.

#### MEASURING CAPITAL PROGRAM PERFORMANCE

A set of performance measures has recently been introduced to assess capital program performance based on schedule (cycle time), cost, quality, and customer satisfaction. These measures are designed to provide uniformity and consistency, provide clear and measurable outcomes, and to encourage CSA teams and departments to consider total requirements for service delivery, including capital facilities and assets. In the 2006-2010 CIP, one- and two-year performance targets, along with estimated performance results for 2004-2005, are presented for each of these performance measures in the Adopted CIP.

In 2004-2005, performance is tracking slightly below targeted levels in each area. For instance, an estimated 76% of the projects will be delivered on-time, which is below the target of 85% but slightly above the prior year performance of 75%. For this measure, performance was impacted by the additional time for coordination with other agencies, extended community processes and difficulties in rehabilitating existing facilities. The estimated 2004-2005 on-budget performance of 86% is slightly below the target of 90%.

The Administration believes that staff has embraced the heightened accountability provided by the monitoring of these performance measures, and future performance will show continued improvement as staff continues efforts to increase the efficiency of delivering a very large number of capital projects on-time and on-budget.

#### CONCLUSION

At a time when the region's economy remains stagnant as the result of a prolonged slump, the City of San José's 2006-2010 Adopted CIP continues to provide funding for a large and diverse set of initiatives that will overhaul major elements of the City's infrastructure. With the phased approach to the Airport expansion, the Adopted CIP is considerably smaller than the 2005-2009 CIP, yet still provides a high level of investment for libraries, parks, community centers, and transportation system improvements throughout San José.

This Capital Improvement Program emphasizes the programs and policies that the City Council has established as priorities. Capital projects are being delivered at a record pace, bringing with them improvements that will benefit neighborhoods, residents and visitors for decades to come while

## 2005-2006 CAPITAL BUDGET

### 2006-2010 CAPITAL IMPROVEMENT PROGRAM

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#### CONCLUSION (Cont'd.)

preparing the City for future economic development and growth. We must emphasize, however, that along with these benefits, this *Decade of Investment* also presents a significant challenge. By 2009-2010, it is estimated that operating and maintenance costs required for these new facilities will add as much as \$21 million to the General Fund's operating budget. These additional City expenses will exacerbate the challenge of closing an already significant structural deficit created by existing demands. We must develop strategies necessary to address this situation now, to avoid heightened fiscal difficulties in future years. The 2006-2010 Adopted CIP incorporates actions that will reduce operating costs, including the use of an alternative staffing model in the Fire Department and a new service delivery model for community centers. Minimizing new operating costs will continue to be a focus in coming years as additional facilities are scheduled to come on line.

Despite these challenges, we should not lose sight of the fact that this Adopted Five-Year Capital Improvement Program provides continued funding for a lasting legacy of parks, community centers, public safety facilities, sewer infrastructure, streets and trails, incorporating input from the Council and the communities being served.

I would like to express my sincere appreciation for the dedication and professionalism of staff from all CSAs who contributed to the analysis and production of this document. The quality of the capital improvement program reflects their outstanding efforts, and I wish to express my gratitude for a job well done.

  
DEL D. BORGS DORF  
CITY MANAGER